

JUL 28 2000

DEPT. OF INSURANCE
BY 

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

In the Matter of:)	No. 00A-097-INS
)	
JOHN HERMAN LAWSON,)	FINDINGS OF FACT, CONCLUSIONS
)	OF LAW AND ORDER
Respondent.)	
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On June 29, 2000, the Arizona Department of Insurance ("Department") issued a Notice of Hearing (the "Notice") in the above-captioned matter, a copy of which is attached and incorporated by this reference. The Notice required John Herman Lawson ("Respondent") to provide a written answer to the allegations set forth in the Notice within twenty days of the issuance of the Notice. As of this date, Respondent has failed to file an answer. On July 27, 2000, counsel for the Department filed a Request for Default, and Proposed Findings of Fact, Conclusions of Law and Order. As of this date, Respondent has not responded to the Department's request. Pursuant to A.A.C. R20-6-106(C), a party that fails to file an answer within the time provided shall be deemed to be in default and one or more of the allegations in the Notice of Hearing may be deemed to be admitted.

FINDINGS OF FACT

1. Notice was proper.
2. Respondent is in default.
3. The allegations in the Notice are deemed admitted.

CONCLUSIONS OF LAW

1. The conduct alleged in the Notice constitutes grounds for the Director to suspend, revoke or refuse to renew Respondent's licenses to transact insurance in Arizona, pursuant to A.R.S. §20-316(A).

2. The conduct alleged in the Notice constitutes grounds for the Director to impose a civil penalty, pursuant to A.R.S. §20-316(C).

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ORDER

IT IS ORDERED:

1. The insurance agent's license held by Respondent is revoked effective upon the issuance of this Order.

2. Respondent shall pay a civil penalty in the amount of \$ 0 to the Director payable upon entry of this Order for remission to the State Treasurer for deposit in the State General Fund.

3. The hearing set for September 20, 2000 at 9:00 a.m. shall be vacated.

DATED this 28th day of July, 2000.



CHARLES R. COHEN, Director
Arizona Department of Insurance

1 COPY of the foregoing mailed this
28th day of July, 2000, to:

2
3 Lewis D. Kowal, Administrative Law Judge
4 Office of Administrative Hearings
1400 West Washington, Suite 101
Phoenix, AZ 85007

5 Shelby L. Cuevas
6 Assistant Attorney General
1275 West Washington
Phoenix, AZ 85007

7
8 Sara Begley, Deputy Director
Gerrie L. Marks, Executive Assistant for Regulatory Affairs
Mary Butterfield, Assistant Director
9 John McCormick, Investigator
Maureen Catalioto, Supervisor
10 Department of Insurance
2910 N. 44th Street, Suite 210
11 Phoenix, AZ 85018

12 John Herman Lawson
15643 South 6th Place
13 Phoenix, Arizona 85048
Respondent

14
15 John Herman Lawson
c/o Premier Financial Group, Inc.
4025 East Chandler Boulevard, #20
16 Phoenix, Arizona 85044
Respondent

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636145 [CPA00165]

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STATE OF ARIZONA

JUN 29 2000

RECEIVED

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE BY Kahn

In the Matter of:)
)
JOHN HERMAN LAWSON,)
)
)
Respondent.)

Docket No. 00A-097-INS

NOTICE OF HEARING

PLEASE TAKE NOTICE that pursuant to the provisions of Arizona Revised Statutes ("A.R.S.") §§20-161 through and including 20-165, 41-1061 through and including 41-1066, and 41-1092.01 the above-captioned matter will be heard before the Director of Insurance of the State of Arizona (the "Director") or his duly designated representative, on the 20th day of September, 2000, at 9:00 a.m., at the Office of Administrative Hearings, 1400 West Washington Street, Suite 101, Phoenix, Arizona 85007 (the "Hearing.")

Motions to continue this matter shall be made in writing to the Administrative Law Judge not less than five (5) business days prior to the date set for the hearing. A copy of any motion to continue shall be mailed or hand-delivered to the opposing party on the same date of filing with the Office of Administrative Hearings.

A.R.S. §20-164(B) entitles any person affected by this Hearing to appear in person and by counsel, to be present during the giving of all evidence, to have a reasonable opportunity to inspect all documentary evidence, to examine witnesses, to present supporting evidence in support of his interests, and to have subpoenas issued by the Administrative Law Judge to compel attendance of witnesses and production of evidence.

1 If Petitioner is represented by counsel, the attorney shall be licensed to practice law in the State of
2 Arizona or, if Petitioner is an insurer, it may be represented by a corporate officer, pursuant to A.R.S.
3 §20-161(B).

4 Pursuant to A.R.S. §41-1092.07(D), a clear and accurate record of the proceedings will be made
5 by a court reporter or by electronic means. Any party that requests a transcript of the proceedings shall
6 pay the cost of the transcript to the court reporter or other transcriber.

7 Questions concerning issues raised in this Notice of Hearing should be directed to Assistant
8 Attorney General Shelby L. Cuevas (602) 542-7725, 1275 West Washington Street, Phoenix, Arizona
9 85007-2926.

10 **NOTICE OF APPLICABLE RULES**

11 On January 23, 1992, the Arizona Department of Insurance adopted A.A.C. R20-
12 6-101 through R20-6-115, setting forth the rules of practice and procedure applicable in contested cases
13 before the Director of Insurance. The hearing will be conducted pursuant to these rules.

14 PURSUANT TO A.A.C. R20-6-106, PETITIONER SHALL FILE A WRITTEN ANSWER
15 WITHIN 20 DAYS AFTER ISSUANCE OF THIS NOTICE OF HEARING AND SHALL MAIL OR
16 DELIVER A COPY OF THE ANSWER TO THE ASSISTANT ATTORNEY GENERAL
17 DESIGNATED ABOVE. THE ANSWER SHALL STATE PETITIONER'S POSITION OR DEFENSE
18 AND SHALL SPECIFICALLY ADMIT OR DENY EACH ASSERTION IN THE NOTICE OF
19 HEARING. ANY ASSERTION NOT DENIED SHALL BE DEEMED TO BE ADMITTED. ANY
20 DEFENSE NOT RAISED IN ANSWER SHALL BE DEEMED WAIVED. IF AN ANSWER IS NOT
21 TIMELY FILED, PETITIONER SHALL BE DEEMED IN DEFAULT AND THE DIRECTOR MAY
22 DEEM THE ALLEGATIONS ARE TRUE, AND TAKE WHATEVER ACTION IS APPROPRIATE,
23 INCLUDING SUSPENSION, REVOCATION, DENIAL OF A LICENSE, OR RENEWAL OF A

1 LICENSE, IMPOSITION OF A CIVIL PENALTY AND/OR ORDER RESTITUTION TO ANY
2 PARTY INJURED.

3 PERSONS WITH DISABILITIES MAY REQUEST REASONABLE ACCOMMODATIONS
4 SUCH AS INTERPRETERS, ALTERNATIVE FORMATS, OR ASSISTANCE WITH PHYSICAL
5 ACCESSIBILITY. REQUESTS FOR ACCOMMODATIONS SHOULD BE MADE AS EARLY AS
6 POSSIBLE TO ALLOW TIME TO ARRANGE THE ACCOMMODATIONS. IF YOU REQUIRE
7 ACCOMMODATIONS, PLEASE CONTACT THE OFFICE OF ADMINISTRATIVE HEARINGS AT
8 (602) 542-9826.

9 The allegations supporting this Notice of Hearing are as follows:

10 1. Lawson is and was at all material times licensed to transact life and disability and
11 property and casualty insurance business as an agent, Arizona license number 7954, which license
12 expires June 30, 2000.

13 2. On or about November 19, 1999, the Arizona Corporation Commission ("ACC") issued
14 an Order for Relief and Consent Thereto In the Matter of Premiere Financial Group, Inc., Heritage
15 Properties, Inc., Estate Guardian Financial Services, Inc., and John H. Lawson, Docket No. S-03297A-
16 99-0000 and Docket No. S-03358A-99-000, Decision No. 62097.

17 3. Lawson was the President and principal shareholder of Premiere Financial Group, Inc.
18 ("PFG"), Heritage Properties, Inc. ("HP"), and Estate Guardian Financial Services, Inc. ("EGFS").

19 4. In the Order, the ACC found, among other things, that from and about 1995 through 1999
20 Lawson, PFG, HP and EGFS offered and/or sold unregistered securities in the form of promissory notes
21 and/or investment contracts to at least 63 investors. The majority of investors were over 65 years old
22 and lived in Arizona. The notes were unsecured obligations of PFG, HP and EGFS.

23

1 5. The ACC found that in many circumstances, EGFS and Lawson would advertise and hold
2 seminars on estate planning and trust creation services and solicit buyers to purchase living trusts.
3 Lawson would then offer insurance products, usually annuities, which often paid high fixed rates of
4 returns in their first year, to the buyers of the trusts. Lawson received commissions on the insurance
5 sales. When buyers complained about the drop in the rate of return after the first year, Lawson would
6 suggest that they purchase PFG, HP and EGFS promissory notes, which he offered at a higher rate of
7 return.

8 6. The ACC concluded that Lawson, PFG, HP and EGFS offered and/or sold securities in
9 the form of promissory notes and/or investment contracts; the securities were not registered or exempt
10 from registration under Arizona Revised Statutes, Title 44; and Lawson, PFG, HP and EGFS acted as
11 dealers and/or salesmen in connection with the offer to sell and the sale of securities, although not
12 registered pursuant to the provision of Article 9 of the Securities Act.

13 7. The ACC concluded that Lawson, PFG, HP and EGFS directly or indirectly made untrue
14 statements of material facts or omitted to state material facts which were necessary in order to make the
15 statements made not misleading and engaged in transactions, practices or courses of business which
16 operated or would operate as a fraud or deceit upon offerees and investors, including but not limited to:
17 failing to inform investors of the true financial condition of Lawson, PFG, HP and EGFS; informing
18 investors that the promissory notes were secured when in fact they were unsecured; informing investors
19 that the notes were safe and the investors would not lose any money, when in fact there was no basis for
20 such a statement; and informing investors that the proceeds from the sale of promissory notes were to be
21 used for specified projects when in fact they were mainly used for operating expenses of PFG, HP and
22 EGFS and personal expenses of Lawson.

23 8. The ACC ordered Lawson, PFG, HP and EGFS to cease and desist from violating the

1 Securities Act, and assessed an administrative penalty of \$50,000 and restitution of \$3,362,579.08. The
2 ACC also required Lawson to execute a lien in favor of the ACC in the amount of \$500,000 against his
3 separate property interest and his share of the community property interest in a boat and a lien in the
4 amount of \$75,000 against his residence.

5 9. As a term of the ACC Order for Relief and Consent Thereto, Lawson agreed to the
6 following: "Respondent(s) admit, solely for purposes of this proceeding and any other administrative
7 proceeding, present or future, before the Commission or any other agency of this State, the findings of
8 fact and conclusions of law contained in this Order and consent to entry of this Order by the
9 Commission" (emphasis added).

10 10. Lawson's conduct constitutes a record of dishonesty by the licensee in business or
11 financial matters, within the meaning of A.R.S. § 20-316(A)(8).

12 11. Grounds exist for the Director to suspend, revoke, or refuse to renew Lawson's insurance
13 license, impose a civil penalty and/or order restitution pursuant to A.R.S. §§20-316(A) and 20-316(C).

14 WHEREFORE, if after hearing, the Director finds the grounds alleged above, the Director may
15 revoke or refuse to renew Lawson's insurance agent's license, pursuant to A.R.S. §20-316(A)(8).

16 Pursuant to A.R.S. §20-150, the Director of Insurance delegates the authority vested in the
17 Director of Insurance of the State of Arizona, whether implied or expressed, to the Director of the Office
18 of Administrative Hearings or his designee to preside over the hearing in this matter as the
19 Administrative Law Judge, to make written recommendations to the Director of Insurance consisting of
20 proposed findings of fact, proposed conclusions of law, and a proposed order. This delegation of
21 authority does not include delegation of the authority of the Director of Insurance to make the order on
22 hearing or other final decision in this matter.

23 Pursuant to A.R.S. §41-1092.01, your hearing will be conducted through the Office of

1 Administrative Hearings, an independent agency. Please find enclosed a copy of the procedures to be
2 followed.

3 DATED AND EFFECTIVE this 28th day of June, 2000.

4 

5 CHARLES R. COHEN
6 Director of Insurance

7
8 COPIES of the foregoing mailed/delivered
9 this 29 day of June, 2000, to:

10 John Herman Lawson
11 15643 South 6th Place
12 Phoenix, Arizona 85048

13 John Herman Lawson
14 c/o Premier Financial Group, Inc.
15 4025 E. Chandler Blvd., #20
16 Phoenix, Arizona 85044

17 Shelby L. Cuevas
18 Assistant Attorney General
19 1275 West Washington Street
20 Phoenix, Arizona 85007

21 Lewis Kowal
22 Administrative Law Judge
23 Office of Administrative Hearings
1400 West Washington Street, Suite 101
Phoenix, Arizona 85007

American Life & Casualty Insurance Company
c/o Conseco Annuity Assurance Company
11815 N. Pennsylvania
Carmel, IN 46032

- 1 American National Insurance Company
One Moody Plaza
- 2 Galveston, Texas 7550-7999

- 3 American National Life Insurance Company of Texas
One Moody Plaza
- 4 Galveston, Texas 7550-7999

- 5 American Travelers Assurance Company
5700 Westown Parkway
- 6 West Des Moines, IA 50266-8221

- 7 Bradley Life Insurance Company
P. O. Box 2606
- 8 Birmingham, AL 35202

- 9 Beneficial Standard Life Insurance Company
11815 N. Pennsylvania
- 10 Carmel, IN 46032

- 11 Financial Benefit Life Insurance Company
P. O. Box 3502
- 12 Topeka, KS 66601-3502

- 13 Investors Insurance Corporation
P. O. Box 56050
- 14 Jacksonville, FL 32241-6050

- 15 LifeUSA Insurance Company
P. O. Box 59060
- 16 Minneapolis, MN 55459-0060

- 17 National Western Life Insurance Company
850 East Anderson Lane
- 18 Austin, TX 78752-1602
- 19 Occidental Life Insurance Company of North Carolina
P. O. Box 2595
- 20 Waco, TX 76702-2595

- 21 Pennsylvania Life Insurance Company
2610 Wycliff Road
- 22 Raleigh, NC 27607

- 23

1 Southwestern Life Insurance Company
P. O. Box 132699
2 Dallas, TX 75313-2699
3 Valley Forge Life Insurance Company
CAN Plaza
4 Chicago, IL 60685
5 USG Annuity & Life Company
P. O. Box 1635
6 Des Moines, IA 50306-1635
7 Sara M. Begley, Deputy Director
Gerrie L. Marks, Executive Assistant to the Director
8 Mary M. Butterfield, Assistant Director
Catherine M. O'Neil, Consumer Legal Affairs Officer
9 Maureen Catalioto, Licensing Supervisor
Arnold Sniegowski, Investigations Supervisor
10 Arizona Department of Insurance
2910 North 44th Street, Suite 210
11 Phoenix, AZ 85018

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